SCE's Comments on the Staff Paper "Proposal to Access Electricity Supply, Resource, and Bulk Transmission Planning Data"

Pursuant to the California Energy Commission's (CEC) Staff Paper "Proposal to Access Electricity Supply, Resources, and Bulk Transmission Data" (Staff Paper) for the 2005 Integrated Energy Policy Report (Energy Report) and the questions contained within the Preliminary Agenda for the November 18 workshop Southern California Edison (SCE) submits the following comments on the Staff Paper and answers to the questions posed by the CEC.

Introduction

SCE supports the objective of the Energy Report to review electricity supply and demand of all load serving entities (LSE) of the State. SCE, however, concurs with comments of California Independent System Operator (CAISO) expressed at the November 18 workshop ("Workshop"), and similarly, does not fully support the strategic transmission planning approach proposed in the Staff Paper. Extending CEC participation in the transmission planning process, as described in the Staff Paper, may not achieve the intended result of developing an integrated statewide transmission planning process, but potentially will lead to an additional layer of transmission project view, inconsistent or conflicting project approvals, and/or further delays in the approval and permitting of needed transmission infrastructure.

SCE agrees that a good understanding of LSEs' load forecasts, existing resources and how LSEs are planning to fill the gap between load and existing resources is helpful in preparing a statewide assessment. This can only be accomplished by ensuring that all LSEs equally participate in the proceeding and provide the same level of the information. Therefore, SCE disagrees with the double standard set by the Staff Paper with respect to policies expressed and the data request requested of the state's three major IOUs and other LSEs. SCE cannot accept the Staff argument mentioned at the Workshop that IOUs have more resources to comply with the data request. IOUs may need to hire and dedicate staff to support the process just as any other LSE. Therefore, Staff should develop common formats together with the LSEs so that all LSEs are able to fill out and provide the information requested by the CEC.

Finally, SCE welcomes the Staff proposal highlighting the importance of appropriate confidentiality protection for market sensitive and individual customer information. As part of the coordination among the CEC, California Public Utilities Commission (CPUC) and CAISO, all agencies should adopt a common approach to designate and treat confidential information to assure that no market sensitive information would help advantage one market participant (i.e., buyers and sellers) over any other.

Adequacy of LSE Planning

SCE agrees with the Staff Paper that "given the emphasis on resource adequacy and system reliability … the adequacy of resources is the key issue for this Energy Report cycle."[1] To make statewide assessments and recommendations, the CEC needs to fully understand both the electricity supply and demand forecasts and also how LSEs' individual planning processes would

[1] Page 3 of the Staff Paper

fill the gap between load and existing resources. Since LSEs often use different forecast approaches, input assumptions, and even forecast periods, understanding these differences and bringing them to a common basis will be a challenge for the CEC. This can only be accomplished with involvement and cooperation of all LSEs. SCE plans to work closely with Staff to assure a superior outcome of this important effort.

Strategic Transmission Planning

SCE supports the comments made by the CAISO at the November 18 workshop regarding the proposed CEC strategic transmission planning role. In particular, SCE agrees with the CAISO's concerns that many of the activities proposed to be performed by the CEC might duplicate those performed by the CAISO in its annual grid planning process.[2]

For example, a CEC requirement that individual Participating Transmission Owners (PTOs) within the CAISO controlled grid submit transmission planning information directly to the CEC would be inconsistent with the current CAISO grid planning process, and could potentially lead to recommendations and conclusions that are different from those resulting from the CAISO process. The CAISO is responsible for defining the transmission plan for the CAISO grid. The CAISO approved projects comprise the transmission plan for the CAISO grid. The CAISO PTOs, which include the transmission systems of the three major California Investor Owned Utilities and several municipalities, are already required by the FERC approved CAISO Tariff to submit annual transmission plans to the CAISO for review and approval. In that process, the CAISO reviews and then either approves or rejects specific PTO proposed projects, and integrates the approved PTO projects into one comprehensive plan reflecting the entire CAISO grid.

The CEC should not add a new layer in the transmission project review process, which is currently performed by the CAISO, nor should the CAISO PTOs be required to separately submit transmission projects for CEC review. Rather, the CEC should obtain a comprehensive transmission plan directly from the CAISO which reflects the entire CAISO grid, and incorporates the approved transmission projects for each of the CAISO PTOs. The CEC should focus on consolidating the CAISO transmission plan with any non-PTO transmission plans otherwise provided directly to the CEC to achieve a complete statewide plan.

The development of a strategic transmission plan by the CEC should not require the CEC to perform an independent and detailed technical analysis of statewide transmission needs, particularly for the transmission owning Load Serving Entities (LSEs) that are PTOs within the CAISO transmission grid (or control area). The formation of an independent, technical transmission planning function within the CEC could further complicate an already fragmented transmission development process by adding yet another layer of analysis and decision-making. To add this additional layer would be contrary to the goal of streamlining transmission planning and permitting processes.

[2] See CAISO November 18, 2004 workshop comment presentation slide "Strategic Transmission Plan CEC Staff Proposal" posted at http://www.energy.ca.gov/2005_energypolicy/documents/2004-11-18_workshop/2004-11-18_ISO_COMMENTS.PDF

In developing a strategic transmission plan, the CEC should focus on assembling the transmission planning results that have been developed by the non-PTO utilities, the CAISO, the Southwest Transmission Expansion Plan (STEP), and the Seams Steering Group - Western Interconnection (SSG-WI) organizations. These entities have already identified strategic transmission projects on a regional, sub-regional, and control area basis, and have identified transmission requirements to integrate renewable resource development in various resource areas. For those entities that are not PTOs, or otherwise do not participate in any of these existing transmission planning forums, there may be value in having one entity function in collecting the transmission planning results from those entities, and assembling [aggregating] those projects with the results of the CAISO's annual grid planning process. Assuming that "strategic transmission" includes that transmission required for reliability, load growth, congestion relief, and achieving RPS goals, there are already many strategic transmission projects which have been identified by utilities, approved by the CAISO, and are in various stages of development.

The CEC should not duplicate transmission planning work that has already been completed or is currently in progress. Many of the areas suggested by the CEC for study could duplicate work currently performed in other forums. For example:

- There is no need for the CEC to independently review the Tehachapi Collaborative Study Group's work. The CEC can directly participate in the current study group process.

- There is no need for the CEC to assess the reliability and operational issues associated with the integration of renewables into California's transmission system. Comprehensive transmission requirements to reliably integrate renewables were filed by the utilities with the CPUC last year. Further refinement of these requirements depends on specific renewable project size, location, and commitment.

- There is no need for the CEC to facilitate an assessment of analytic tools. The only tool that warrants assessment is one to determine economic benefits of transmission projects, and that effort is already underway by the CAISO and the CPUC in the AB970 proceeding.

- There is no need for the CEC to request transmission planning data to perform analysis. As suggested previously, the CEC should assemble the results of planning activities already being performed by various entities. Therefore, SCE strongly objects to the CEC's proposed transmission planning data collection requirements that are outlined in the workshop report. The requested data is far too detailed, is inconsistent with the CEC doing a strategic assessment instead of analysis, and duplicates data provided to and used by other entities which do transmission analysis.

CEC State Transmission Corridor Planning

Consistent with comments provided by SCE during the CEC's 2004 IEPR Update proceeding, SCE continues to support a state transmission corridor planning process that identifies corridors for future electricity needs. The corridor study should be consistent with the provisions of G.O. 131-D, and the corridor study should also be coordinated with the activities of the Western

Utility Group, Bureau of Land Management (BLM), United States Forest Service (USFS), and other entities involved in transmission corridor planning at the regional level.

Data Request

SCE understands that the CEC is requesting detailed information to be able to assess adequacy of LSEs' resource planning. SCE sees two important aspects of this data request that will be crucial for the Energy Report:

1. The CEC should work closely with LSEs before, during, and after the data request to make sure that the right data has been requested, and in the appropriate depth, and then the LSEs will be able to provide the requested information and the data provided will be interpreted the right way.

2. All LSEs should equally participate in the proceeding and provide the same level of information. A double standard proposed by the Staff Paper, with respect to policies expressed and data requested from the state's three major IOUs and other LSEs, is unfair and contradicts the objective of the Energy Report to make comprehensive statewide assessment and recommendations. Getting data and ensuring quality from non-CPUC jurisdictional LSEs will be challenging, therefore, cooperation with LSEs will be vital.

Confidentiality

SCE continues to emphasize the importance of confidentiality of market sensitive information provided by LSEs in this proceeding. The CPUC discussed the same issue in the 2004 Long Term Procurement Planning proceeding in detail. The CPUC has established guidelines defining what market sensitive information should be treated confidential. Accordingly, all information that might reveal a LSE's residual net short position, market pricing estimates, and terms and conditions of existing contracts should receive confidential treatment since publicly providing this market sensitive information to market participants will create a competitive disadvantage for our customers. While the Staff Paper does not address confidentiality in detail, recent memorandums from the CEC seem to follow a different approach[3]. The CEC, CAISO and CPUC should follow the same approach.

[3] Guidance on Confidentiality of Electricity Demand and Retail Price Information on November 5, 2004; Additional Guidance on Confidentiality Procedures for the 2005 Energy Report on November 22, 2004

LSE-Based Assessments

1. *In the 'Adequacy of LSE Planning' subsection of the staff paper (pp. 3-4), staff expresses concern that LSEs may not be planning to acquire adequate resources to cover load. Is this a reasonable description? If so, how should this be addressed in the Energy Report proceeding?*

SCE intends to meet the 15-17% summer peak planning reserve margin requirement starting in 2006. SCE is currently conducting an RFO for the next years and also planning to conduct a more competitive solicitation process to ensure adequate resources. Other IOUs must also comply. Ensuring adequate resources is ultimately each LSE's responsibility, and they should have the flexibility in meeting the RAR. Penalty mechanisms have yet to be defined for non compliance.

2. *In the 'Resource Plans' subsection (p. 12), staff suggests that the 15-17% summer peak planning reserve margin adopted by the CPUC in D.04-01-050 is the right benchmark for all LSEs. Should the CPUC capacity benchmark be used as the basis for judging resource adequacy for those LSEs outside of the CPUC's jurisdiction?*

Yes. Each LSE may have a different reliability metrics depending on their individual load and generation attributes, but all LSEs should have the same planning reserve margin to share the cost of ensuring adequate resources in California equally among all LSEs.

3. *In the 'Adequacy LSE Planning' subsection (p. 3), staff suggests that requiring these LSE-based resource plans is a way to identify what municipals and other LSEs are doing to implement the "loading order" policy preferences expressed by the state agencies and endorsed in the 2003 Energy Report. Are there any other means to determine what LSEs are doing?*

No. Resource plans contain all of the relevant information. Additional analysis would only duplicate workload for both the staff and the LSE without adding any additional information on how LSEs implement "loading order" policy.

Coordination Among Agencies in Planning

4. *In the 'Resource Assessment Section' (pp. 8-10), staff proposes three stages to the analyses. Do these deliver products to the CPUC consistent with President Peevey's Sept. 16 Assigned Commissioner Ruling (ACR)? Which ones, if any, propose analyses that go beyond what is addressed in that ACR?*

As described in SCE's comments above regarding the CEC Strategic Transmission Planning proposal, the CEC should not engage in an independent transmission project review and planning

process, particularly for the PTOs that have already submitted comprehensive transmission plans in the CAISO's annual grid planning process.

5. *In these three stages of analyses, how are products developed that respond to the ISO's needs for more disaggregated load forecasts as a step toward more closely coupling long-term statewide planning with the CA ISO's annual grid planning process?*

ISO should answer this question.

Transmission Planning

6. *In the 'Summary of Assessment' section (pp. 3-4), staff proposes adequacy of LSE planning and strategic transmission planning as focuses for effort. How can this be done to advance the goal of integration between traditionally separate domains of resource planning and transmission planning?*

SCE responds to this question in its comments above on Strategic Transmission Planning.

7. *How should the requirements of PRC 25324 (SB 1565, Bowen, Chapter 692 of 2004) to create a strategic transmission planning process be made compatible with the CA ISO's existing annual grid planning process?*

SCE responds to this question in its comments above on Strategic Transmission Planning.

8. *How should PRC 25324, which addresses all transmission in California, and thus the control areas of LADWP, SMUD, and IID, interface with the CPUC's focus on linkages to the CA ISO?*

SCE responds to this question in its comments above on Strategic Transmission Planning.

Uncertainty

9. *Staff proposes to shift to a much more explicit framework for understanding uncertainty and the range of need as the key quantitative deliverable to the CPUC. Given the difficulties of pursuing this in the past, is this realistic? How should it be accomplished?*

Uncertainty should be limited to: (1) specific stochastic uncertainties that have a historical reference such as fuel price, load, hydro conditions, and forced outages; and (2) scenario uncertainties such as paradigm shifts or regulatory changes. This is difficult but achievable <u>if</u> the scope of variables and combinations of uncertainties are limited to a few choices, which can change future expectations.

10. *Staff proposes (p. 13) that the scope of uncertainty analyses be postponed until a separate workshop and the requirements for LSEs be established following that workshop. How can these topics best be addressed while allowing adequate time for LSE response and consideration of the filings in the Energy Report proceeding?*

The issue is clear: "the scope of uncertainty analyses." SCE agrees that it should be addressed in a separate workshop. The workshop should be scheduled such that it leaves enough time to produce the results.

11. Assuming LSEs submit uncertainty impact assessments according to staff's proposal, how should the Committee address differences among LSEs or between one LSE and the staff? Should differences of opinion about alternative futures and their impact on key metrics also be part of uncertainty assessments?

LSEs are in the best position to determine what uncertainties they face. Ultimately, the LSEs' position should prevail, unless the assumptions used by the LSEs are significantly different than all other parties' assumptions.

Data Collection Proposal

12. The staff paper includes some discussion of the data implications of staff's analytic proposal, e.g. requiring each LSE to provide a complete resource plan. How much time will LSEs likely need to respond the detailed data requests?

It depends on the magnitude and level of the actual data request. Based on the experience of developing the 2004 LTTP, compliance with similar data requests might require a minimum of three months after the data requirements have been adequately defined.

13. What are the principal challenges with acquiring the general types of data that are implied by the staff's proposal (pp. 11-17).

Requesting data that all LSEs will be able to provide and the CEC will be able to use in its analysis (e.g., monthly data should be limited to the summer months for the first three years and then annual data [peak conditions] thereafter).

Getting data and ensuring quality from non-CPUC jurisdictional LSEs will be challenging.

Ensuring confidentiality of market sensitive information provided by LSEs.

14. What portions of the LSE resource plans that staff proposes LSE should file should be considered confidential? Why?

All information that might reveal a LSE's residual net short position, market pricing estimates, and terms and conditions of existing contracts should receive confidential treatment since publicly providing this market sensitive information to market participants will create a competitive disadvantage for customers.